TEACHERS' PENSION PLAN

New board member • You asked us • Fast facts

pensionwise

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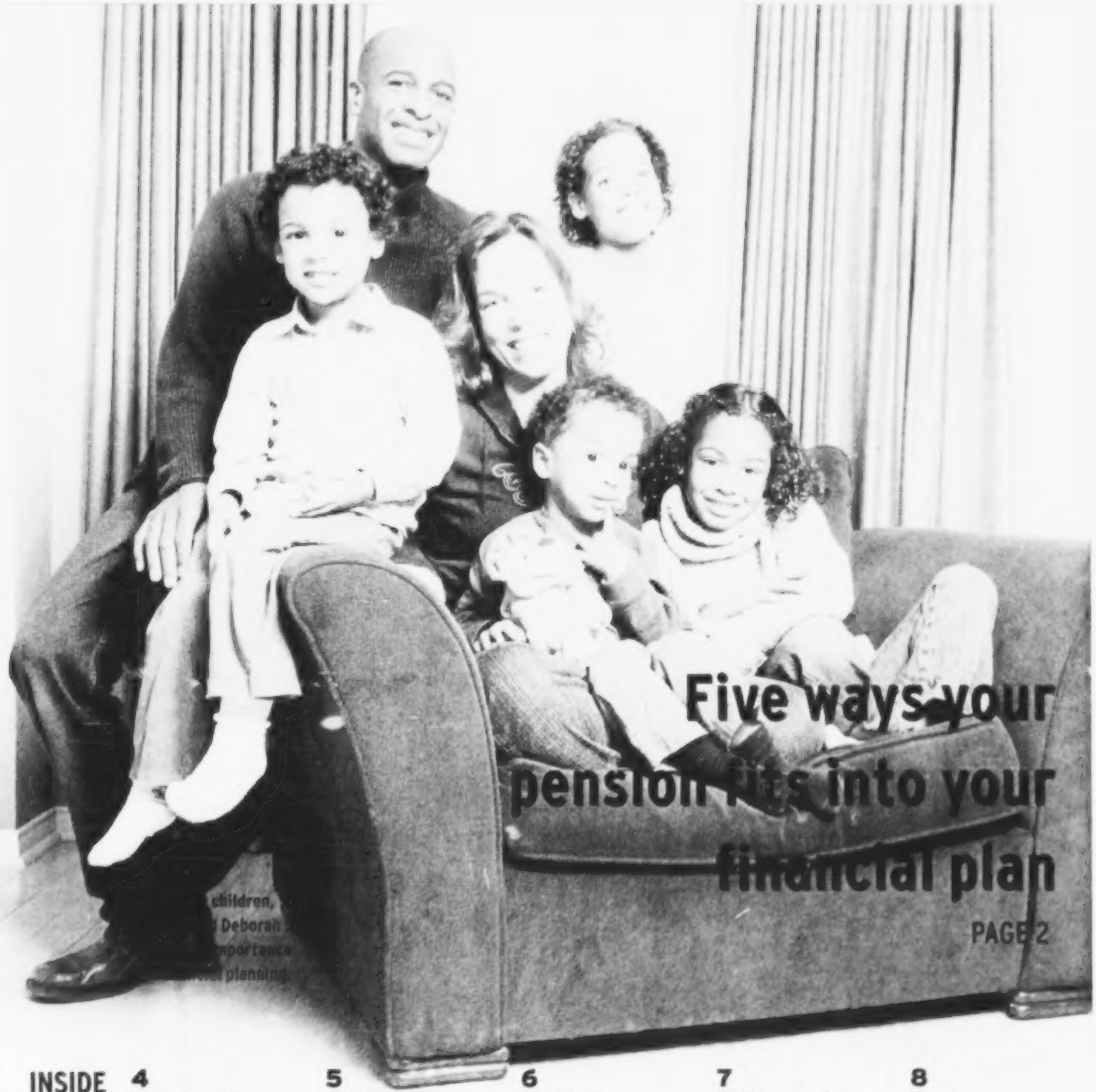


Five ways your pension fits into your financial plan

PAGE 2

INSIDE THIS ISSUE

Five ways your pension fits into your financial plan

A sound financial plan can help pave the way to financial security and protect you and your family against unexpected loss. Whether drafting a plan yourself or gathering information for your financial planner, consider the benefits that may be payable from the Teachers' pension plan if you become disabled, die or face a terminal illness. Here are five key facts to consider.

Stefan, shown with two of his four children, is a teacher at Brother Andre Catholic High School in Markham.

1

YOUR PENSION PROVIDES SURVIVOR BENEFITS IF YOU DIE

Don't forget to factor in your pension survivor benefits when calculating how much life insurance you need. Pension survivor benefits can be substantial. For example, the spouse of an average 45-year-old career teacher can expect to receive about $175,000, or an equivalent pension, if the member dies before retirement. That payment, which can be tax sheltered until needed, is based on the member's credit, average salary, qualifying years and other factors.

If the member dies after retirement, the spouse will receive a lifetime pension equal to 50 to 75 per cent of the member's pension, calculated after a CPP reduction is applied.

Survivor benefits are paid automatically to an eligible spouse or, if there's no spouse, dependent children. If no one is eligible, refunds or payments go to the estate or, if you die before retirement, benefits can also be paid to a designated beneficiary. It's important to have a designated beneficiary and to review your designation whenever your personal circumstances change.

To see how much your survivor would get if you died, check your pension records on *iAccess Web*, our secure member website. If you aren't registered for this online pension service, consider signing up by calling (416) 226-2700 or 1-800-668-0105, or consult your *Personal Statement of Pension Benefits*.

COVER PHOTO: EVAN DION

2

YOUR PENSION IS CONSIDERED FAMILY PROPERTY IF YOUR MARRIAGE ENDS

If you separate, your spouse is entitled to half of the value of the pension accumulated during your marriage. This does not mean you must split your pension. If your spouse has a pension of similar value, or other assets that balance out your pension, your pension may not be affected at all.

If you will be assigning a portion of your pension to your former spouse, keep in mind that we can divide your pension only after it begins, or when we pay a benefit if you die or leave the teaching profession. Other rules also apply.

3

YOUR PENSION GROWS WHILE YOU RECEIVE SICK OR LTIP BENEFITS

Your pension continues to accumulate while you receive sick pay or long-term income protection (LTIP) through your employer under a valid LTIP agreement. In most cases, this applies even if you are on integrated sick leave or rehabilitative employment. While you are ill, your pensionable salary is adjusted automatically for inflation each school year at no cost to you. This ensures your pension grows during your absence from work.

If you began collecting LTIP as a result of a disability that occurred after Aug. 31, 2001, your pension contributions are waived while you are ill.

4

YOU MAY QUALIFY FOR A DISABILITY PENSION IF YOU CAN'T WORK

To be eligible for a full disability pension, we must determine that you are incapable of earning a living in any occupation. A full disability pension is calculated based on: two per cent X your years of credit X your average best-five years of salary.

To be eligible for a partial disability pension, we must determine that you are incapable of employment in the education field. Your partial disability pension is calculated the same as your full disability pension and then reduced by 2.5 per cent for each point under your 85 factor, or age 65, whichever is less. (Your age plus qualifying years equal your factor.)

In addition to other eligibility requirements, you need at least 10 years of credit to qualify for a disability pension.

5

YOU MAY BE ABLE TO CASH IN YOUR PENSION IF YOU'RE TERMINALLY ILL

If you are terminally ill, you can apply to withdraw the commuted value of your pension any time before retirement without having to sever your employment relationship. The commuted value of your pension is the lump sum you would need today to replace your future pension. The funds can be taken in cash, transferred to a tax-sheltered vehicle, such as an RRSP, or you can choose a combination of these options. Cash payments are taxable and there are government limits on tax-free transfers.

To qualify for shortened life expectancy benefits, you need medical evidence, from a doctor licensed in Canada, of a life expectancy of less than two years. Spousal permission is also needed because a spouse forfeits the right to survivor benefits if you choose this option. ■

Where to get more information

Pension benefits overview

- Read the brochure, *Your Pension Plan Guide.*
- Visit our website at www.otpp.com.
- Get personal pension information on *i*Access Web, our secure member website.

Marriage breakdown

- Read the *Marriage Breakdown* fact sheet.

Sick or disability benefits

- Read the fact sheet, *Sick and Disability Benefits.*
- Call us for a *Disability Kit* if you think you qualify for a disability pension.
- Read the fact sheet, *Shortened Life Expectancy Benefits for Teachers,* if you are terminally ill.

Survivor benefits

- Read the *Survivor Benefits* brochure.
- View an audio-visual presentation on *i*Access Web, our secure member website.

To register for *i*Access Web, our secure member website, call (416) 226-2700 or 1-800-668-0105, or download and complete the form found on our website at www.otpp.com. Fact sheets and brochures are available in the publications section of our website, or by calling us. ■

ILLUSTRATION: KATHRYN ADAMS

Shopping malls help pay teachers' pensions

The money you spend at your local shopping centre may help pay your pension.

The Teachers' pension fund owns 15 retail malls in 11 Ontario cities through The Cadillac Fairview Corporation Limited, its private, wholly owned subsidiary.

Cadillac Fairview is one of the largest owners, managers and investors of commercial real estate in North America, with $10.9 billion in assets and more than 33.8 million sq. ft. of leasable space.

Real estate is considered a good fit for the pension plan because it provides a high level of predictable income and is a good hedge against inflation. In 2004, the fund's real estate portfolio performed better than many other major asset classes, adding $1 billion in value.

The Cadillac Fairview portfolio includes some of Canada's landmark properties, such as the Toronto Eaton Centre, the Toronto-Dominion Centre, the Pacific Centre in Vancouver and Montreal's Les Promenades St-Bruno.

The Teachers' fund began investing in real estate in 1991 with a portfolio valued at about $180 million. In March 2000, the fund integrated its real estate division with Cadillac Fairview in a seamless acquisition that saw the pension plan's stake in the company climb to 100 per cent from 22 per cent.

Today, about 13 per cent of the $88-billion pension fund is invested in real estate, primarily in premium retail and office properties.

Cadillac Fairview operates independently under President & CEO Peter Sharpe, in support of the long-term investment focus of the pension plan. It has 1,800 employees. ■

REAL ESTATE FAST FACTS
at Dec. 31, 2004

$10.9 billion
Approximate value of portfolio

12.1%
4-year average annual rate of return

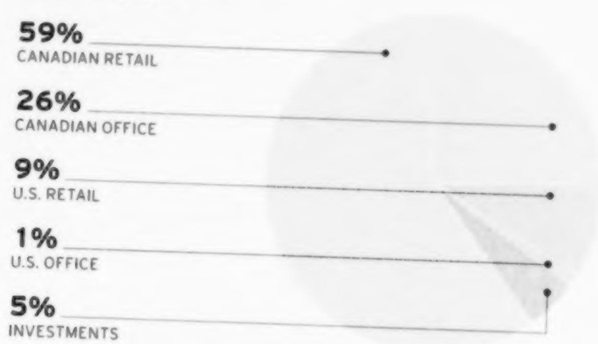
100
Number of properties owned and managed

13%
Percentage of net assets invested in real estate

45
Real estate investments valued at $50 million or more

PETER SHARPE oversees Cadillac Fairview's $10.9 billion real estate portfolio.

Real Estate Portfolio
(as at Dec. 31, 2004)



REAL ESTATE HOLDINGS

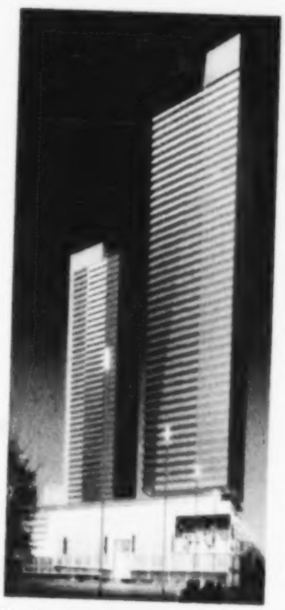
Major Ontario shopping centres

NAME	CITY	OWNERSHIP (%)
Cataraqui Town Centre	Kingston	50
Don Mills Shopping Centre	Toronto	100
Erin Mills Town Centre	Mississauga	50
Fairview Mall	Toronto	50
Fairview Park Mall	Kitchener	100
Georgian Mall	Barrie	100
Heritage Place	Owen Sound	50
Hillcrest Mall	Richmond Hill	100
Lime Ridge Mall	Hamilton	100
Markville Shopping Centre	Markham	100
Masonville Place	London	100
Promenade (The)	Toronto	50
Rideau Centre	Ottawa	31
Sherway Gardens	Toronto	100
Toronto Eaton Centre	Toronto	100

Top 10 real estate holdings

NAME	CITY	SQUARE FEET (000'S)
Chinook Centre	Calgary	1,186
Le Carrefour Laval	Montreal	1,312
Les Promenades St-Bruno	Montreal	1,072
Lime Ridge Mall	Hamilton	815
Markville Shopping Centre	Markham	1,018
Pacific Centre	Vancouver	1,399
Polo Park Mall	Winnipeg	1,209
Sherway Gardens	Toronto	984
Toronto-Dominion Centre	Toronto	4,424
Toronto Eaton Centre	Toronto	3,487

Major new real estate investments boost portfolio



Maple Leaf Square will be built beside the Air Canada Centre.

1 DEVELOPMENT OF MAPLE LEAF SQUARE IN TORONTO

- Will include two condominium towers, hotel, restaurants, 2,000-seat music club, office space, broadcast studio and retail stores
- To feature sports and entertainment theme
- Being developed with Maple Leaf Sports & Entertainment Ltd. (Teachers' has a 58 per cent stake in the company) and Lanterra Developments for completion in 2009

2 REDEVELOPMENT OF GEORGIAN MALL

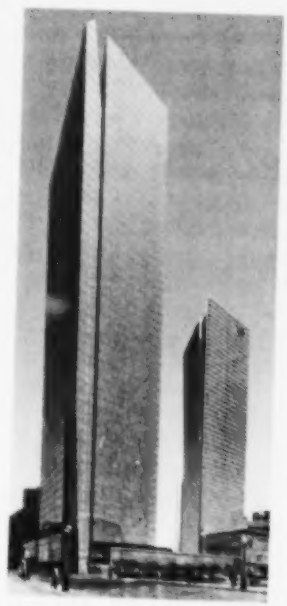
- $66 million expansion and refurbishment of the largest shopping centre in Simcoe County
- Addition of 100,000 sq. ft. of retail space in late summer 2006

3 DEVELOPMENT OF TORONTO OFFICE TOWER

- New office complex, about as big as major bank towers, to be built in downtown Toronto, beginning in 2006
- First phase will be more than 30 storeys, with potential for up to 18 more floors
- Scheduled for completion in 2009

4 PURCHASE OF HSBC IN VANCOUVER

- Acquired this 23-storey office tower, with two retail concourses, in heart of Vancouver Sept. 2, 2005
- Complements other Vancouver holdings, including Pacific Centre and Waterfront Centre ■



This Toronto office tower will be completed in 2009.

Fund agrees to buy 20 per cent stake in Bell Globemedia

The Teachers' pension plan has agreed to acquire a 20 per cent interest in Bell Globemedia (BGM) for $283 million.

BGM's assets include the CTV television network, with 21 stations across Canada; The Globe and Mail; and 15 specialty television services.

The proposed investment is part of a major recapitalization of BGM, Canada's leading multi-media company, by an all-Canadian shareholder group. The proposed new ownership group also includes Torstar, publishers of the Toronto Star, with a 20 per cent interest; Woodbridge, the Toronto-based holding company of the Thomson family, with 40 per cent; and BCE, with 20 per cent.

The investment is subject to the approval of regulators, including the Canadian Radio-television and Telecommunications Commission (CRTC).

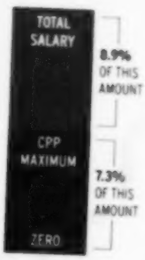
"We've been eyeing Bell Globemedia since 2002. When the opportunity arose to acquire the assets with a group of astute investors, we were thrilled," said Teachers' Senior Vice-President Jim Leech.

"BGM is the type of premium investment we seek when searching for private equity opportunities to help secure pensions. It's an industry leader with strong brands, consistent performance and an experienced management team." ■

How your pension is integrated with the Canada Pension Plan

The Teachers' pension plan, like most major pension plans in the country, is designed to work with the Canada Pension Plan (CPP).

Here's how the two plans work together:



- While you work, you pay less to the Teachers' plan on that portion of your earnings up to the CPP maximum and more on that portion of your earnings above the CPP maximum. (The maximum, which changes annually, is $42,100 in 2006.)
- When you reach age 65, the formula used to calculate your pension provides a lower pension on salary up to the CPP maximum and a higher pension on salary above it.

Despite the reduction in your Teachers' pension at age 65, your total retirement income will probably increase at that point because you qualify to begin Old Age Security (OAS) and an unreduced pension from CPP.

Even if you collect a reduced CPP pension early, your total retirement income will not change significantly. ■

FIVE KEY FACTS ABOUT YOUR TEACHERS' PENSION REDUCTION

1. Your Teachers' pension is reduced the month after your 65th birthday (or when you begin a CPP disability pension) to reflect its integration with the CPP.
2. The reduction is based on a formula, not the actual amount of your CPP pension.
3. You can start a CPP retirement pension before age 65 and it will not affect your Teachers' pension.
4. Career teachers can expect about a $5,000 reduction, in today's dollars, in their Teachers' pension at age 65.
5. The reduction would have been about $8,000 before 1996. (Pension benefits were improved to increase pensions payable after age 65.)

Koskie named to Board of Directors

Raymond Koskie has been named to the Teachers' Pension Plan Board of Directors.

Raymond, who has practised law for more than 40 years, is a founding partner of the Toronto-based law firm Koskie Minsky.

A member of the Economic Council of Canada from 1986 to 1989, Raymond has published numerous papers on employee benefits and was a principal editor of and contributor to *Employee Benefits Canada*. Although retired from his pension law practice, he continues to work as a government relations consultant.

The pension plan's board has nine directors who serve for two-year renewable terms. Four of the directors are appointed by the Ontario Teachers' Federation and four by the Ontario government. The two bodies jointly select a chair.

The director position became available when Gary Porter retired in December, after 15 years of dedicated service, first as a member of the plan's investment committee and later as a director. ■

Transfer agreement now covers stranded service

A recent change to the transfer agreement covering Major Ontario Pension Plans (MOPPs) allows members to transfer credit to their new pension plan from their old pension plan if they were required to switch plans since July 1, 1992, while working for the same employer.

Affected members who changed pension plans before Dec. 31, 2005, have until June 30, 2006, to apply for the transfer. Affected members who change pension plans after Dec. 31, 2005, have six months to apply from the date they begin to contribute to their new plan.

The requirement to change pension plans could happen if a member accepted a new position at the same employer or a Letter of Permission expired.

For example, a qualified teacher employed by the Ministry of Education was required to join the Ontario Pension Board (OPB) after being promoted from a teacher to an administrator. She no longer qualified to contribute to the Teachers' plan because she stopped teaching. Before the change, the member's credit in the Teachers' plan could not be moved into OPB because the transfer agreement required a change of employers. Now assets can be consolidated in OPB, a move that could allow the member to retire earlier with a larger pension. This is because in the pension world, the whole is generally larger than the sum of the parts.

Pension plans serving provincial government employees, health-care workers and municipal employees are among the 15 plans covered under the MOPPs transfer agreement.

For more information, please contact us at (416) 226-2700 or 1-800-668-1015. ■

You Asked Us...

Q: How much money have we shifted outside Canada since the government ended the 30 per cent cap on foreign investments?

A: There has been no significant change in our foreign content. About 40 per cent of the fund is still invested outside Canada. Before the government lifted the cap on foreign investments, we used derivatives and other arrangements to boost our foreign content beyond the limits. We can now invest as we see fit in other countries without the costs or complexities associated with the former restrictions.

Q: I'm a disabled teacher on long-term income protection (LTIP). Do I have to start my pension when I reach my 85 factor next year or can I continue on LTIP and retire at age 65?

A: Ask your employer and LTIP carrier about any conditions that may apply to you. You continue to accumulate credit in the Teachers' pension plan until you stop receiving LTIP under a valid employer-sponsored agreement or until the end of November of the calendar year in which you reach age 69.

Q: I'm on a leave of absence. What happens to my pension if I don't return to my job?

A: You can buy back an employer-approved leave of absence without returning to teach. Buying back the absence will enable you to build credit for the time you're away. The more credit you accumulate, the greater your pension will be and, if the purchase gives you credit in a school year in which you previously had none, it can allow you to retire sooner. If you resign from your job after the leave ends, you can leave your money in the plan to collect as a pension when you reach retirement age or, if you are under age 50, you can move your funds to another registered retirement arrangement to collect later as a pension. For more information on your termination and buy back options, visit our website at www.otpp.com. If you are registered for *i*Access Web, our secure member website, you can obtain estimates and buy back credit online. To register, call 416-226-2700 or 1-800-668-0105, or download and complete the form found on our website. ■

What's new online at *i*Access Web

Our secure member website continues to grow with new features. You can now:

- View a new audio-visual presentation that explains your member benefits. While there, you can watch five other presentations on popular pension subjects, including buybacks, inflation protection, survivor benefits, CPP integration and re-employment.
- Explore the cost and benefits of buying back possible gaps in service. Some members will be notified of such opportunities via e-mail.

To register for *i*Access Web, our secure member website, call (416) 226-2700 or 1-800-668-0105, or download and complete the form found on our website at www.otpp.com. ■

ILLUSTRATION: KATHRYN ADAMS

Use forms on website

If you are looking for the latest pension forms, visit the publications section of our website at www.otpp.com

The site contains a repository of all the forms you may need to complete during your life as a member.

Old paper forms may not ask for all the information we need to process a transaction, whereas forms on our website are always current.

"You can also initiate many transactions online," said Rosemarie McClean, Senior Vice-President, Member Services. "For example, you don't need paper forms to change your address, buy back service or generate pension estimates, provided you are registered for *i*Access Web, our online pension service." ■

Pensionwise™ is published for members of the Ontario Teachers' Pension Plan at a cost of 19¢ a copy.

We appreciate your comments about anything you read in *Pensionwise*. Please contact Debra Hanna at (416) 730-5351 or 1-877-812-7989, or e-mail: dhanna@otpp.com

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TEACHERS'
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BRIEFLY

Fund welcomes government decision on income trust tax issue

The Teachers' pension fund is pleased with the federal government's decision to reduce the personal income tax investors pay on stock dividends.

Jim Leech, Senior Vice-President, said the move should discourage inappropriate conversion of corporations to business income trusts because it helps to level the tax playing field.

Income trusts are similar to public companies, but distribute most of their pre-tax profits to unitholders as monthly income. The government had suggested it is losing tax from corporations that convert and pension plans are aggravating the problem because they are "tax exempt."

"It appears the government has listened to the concerns of the pension community on this issue," Jim said.

"Limiting or taxing pension plan investments in income trusts would not have solved the problem. Pension plans and RRSPs are tax-deferred, not tax-exempt, arrangements. Each year we pay about $4.5 billion in taxable income to pensioners, employees and investment services."

The fund has more than $2.5 billion invested in income trusts. The investments returned about $900 million in 2004, enough to pay pensions to 25,000 members in 2005. ■

FAST FACTS

65,000
Number of members registered for *i*Access Web

25%
Increase in *i*Access Web registrations during 2005

156,000
Number of visits to *i*Access Web during 2005

Fund buys property and casualty insurer

The Teachers' pension fund has purchased CGAN Insurance, a leading Canadian property and casualty insurer. Founded in 1955, the company focuses on commercial and industrial insurance through a network of independent brokers. It underwrites about $220 million in gross premiums a year. ■

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